

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

BRIGHTON AREA  
FIRE AUTHORITY

REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

## **BRIGHTON AREA FIRE AUTHORITY**

### **AUTHORITY BOARD**

Michael Corrigan  
Geri Harmon  
Katherine Jones  
Gary McCrie  
James Mortensen  
Lawrence Schillinger  
Mary Sullivan

### **ATTORNEY**

Neal Nielsen, P.C.

### **AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

*Members:*  
*AICPA Private Practice Companies Section*  
*MACPA*

**225 E. Grand River - Suite 104**  
**Brighton, Michigan 48116-1575**  
**(810) 229-5550**  
**FAX (810) 229-5578**

October 20, 2004

Board of Trustees  
Brighton Area Fire Authority  
615 W. Grand River  
Brighton, Michigan 48116

**INDEPENDENT AUDITORS' REPORT**

Honorable Board of Trustees:

We have audited the accompanying financial statements of the Brighton Area Fire Authority as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brighton Area Fire Authority, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6, the Authority has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

The Management's Discussion and Analysis and other required supplementary information on pages 6 - 10 and pages 29 to 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brighton Area Fire Authority's basic financial statements. The supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, fairly states in all material respects in relation to the basic financial statements as a whole

*Pfeffer, Hanniford & Palka, P.C.*

**PFEFFER, HANNIFORD & PALKA**  
Certified Public Accountants

MANAGEMENT DISCUSSION  
AND  
ANALYSIS

## Management Discussion and Analysis June 30, 2004

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Within this section of the Brighton Area Fire Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2004. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

### ***Government-Wide Financial Statements***

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has two kinds of funds:

*Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

*Fiduciary funds* are reported in the fund financial statements and are used to account for operation (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

### **Financial Analysis of the Authority as a Whole**

The Authority has implemented the new financial reporting model used in this report beginning with the current fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net assets at the end of the fiscal year were \$2,946,424. This is a \$254,494 increase over last year's net assets of \$2,691,930.



The following tables provide a summary of the Authority's financial activities and changes in net assets:

### Summary of Net Assets

	Governmental Activities
Current and other assets	\$ 1,880,306
Capital assets	<u>1,221,767</u>
Total assets	<u>3,102,073</u>
Accounts payable	58,343
Accrued expenses	<u>97,306</u>
Total liabilities	<u>155,649</u>
Net assets:	
Invested in capital assets	1,221,767
Unrestricted	<u>1,724,657</u>
Total net assets	<u>\$ 2,946,424</u>

### Summary of Changes in Net Assets

	<u>Governmental Activities</u>
Revenues:	
Program revenues	
Charges for services	\$ 27,872
Operating grants and contributions	135,246
General revenues	
Property taxes	1,953,190
Other	25,390
<b>Total revenues</b>	<u>2,141,698</u>
 Expenses for fire protection	 <u>1,887,204</u>
 Increase in net assets	 254,494
 Beginning net assets	 <u>2,691,930</u>
 Ending net assets	 <u><u>\$ 2,946,424</u></u>

### Changes in Financial Status

The increase in net assets of \$254,494 in the current year is typical for the Brighton Area Fire Authority. This increase is essential for fire departments in order to fund future capital improvements and the increasing costs of operations.

### Financial Analysis of the Authority's Funds

The Authority's General Fund had revenues over expenditures from current year operations totaling \$385,208 to add to its fund balance. Of this amount \$270,065 was transferred to fund capital outlay purchases and anticipated personnel expenditures. Significant capital outlay was purchased this year totaling \$156,549 as a result of this excess.

### General Fund Budgetary Highlights

The original General Fund budget adopted by the Authority was created prior to the beginning of the fiscal year outlining the Authority's anticipated financial operations. Small amendments were required from the originally adopted budget to reflect the award of a federal grant. Also, several immaterial adjustments were made to make the budget resemble the economic reality of the Authority. Expenditures exceeded the budget in two activities, but was under the total budget by \$103,010.

### Capital Asset and Debt Administration

The Authority spent \$156,549 acquiring new equipment. That total included items such as \$20,492 for leasehold improvements, \$71,175 for operating equipment, and office equipment of \$64,882. There were no capital assets disposed of during the fiscal year.

For the year ended June 30, 2004 there was no debt either acquired or extinguished.

### Economic Conditions and Future Activities

Future operations will be funded primarily by property taxes collected. This amount is expected to increase slightly next year due to increases in new development..

### Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Brighton Area Fire Authority

BASIC  
FINANCIAL  
STATEMENTS

GOVERNMENT - WIDE  
FINANCIAL  
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

Governmental  
Activities

ASSETS

Cash and cash equivalents	\$ 1,838,985
Accounts receivable	41,321
Capital assets:	
Leasehold improvements	20,492
Office equipment	111,853
Operating equipment	435,750
Transportation equipment	2,658,429
Less: accumulated depreciation	<u>(2,004,757)</u>
Total assets	<u>3,102,073</u>

LIABILITIES

Accounts payable	58,343
Accrued expenses	<u>97,306</u>
Total liabilities	<u>155,649</u>

NET ASSETS

Investment in capital assets	1,221,767
Unrestricted	<u>1,724,657</u>
Total net assets	<u>\$ 2,946,424</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Fire protection services	<u>\$ (1,887,204)</u>	<u>\$ 27,872</u>	<u>\$ 135,246</u>	<u>(1,724,086)</u>
General Revenues:				
Property taxes, levied for general purpose				1,953,190
Investment income				19,887
Other revenues				<u>5,503</u>
Total general revenues				<u>1,978,580</u>
Change in net assets				254,494
Net assets, July 1, 2003				<u>2,691,930</u>
Net assets, June 30, 2004				<u>\$ 2,946,424</u>

The notes are an integral part of the financial statements.

FUND  
FINANCIAL  
STATEMENTS



BRIGHTON AREA FIRE AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	Major Funds		Non-major Fund	
	General	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 1,051,374	\$ 753,039	\$ 34,572	\$ 1,838,985
Accounts receivable		41,321		41,321
Total assets	<u>\$ 1,051,374</u>	<u>\$ 794,360</u>	<u>\$ 34,572</u>	<u>\$ 1,880,306</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 58,343	\$	\$	\$ 58,343
Accrued wages	31,763			31,763
Accrued vacation and sick	36,628			36,628
Accrued pension and withholding	28,915			28,915
Total liabilities	<u>155,649</u>			<u>155,649</u>
FUND BALANCES				
Unreserved	895,725			895,725
Designated		794,360	34,572	828,932
Total fund balances	<u>895,725</u>	<u>794,360</u>	<u>34,572</u>	<u>1,724,657</u>
Total liabilities and fund balances	<u>\$ 1,051,374</u>	<u>\$ 794,360</u>	<u>\$ 34,572</u>	<u>\$ 1,880,306</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balance - governmental funds	\$ 1,724,657
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet:	
Historical cost	\$ 3,226,524
Accumulated depreciation	<u>(2,004,757)</u>
Net book value of capital assets	<u>1,221,767</u>
Net assets of governmental activities	<u>\$ 2,946,424</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Major Funds		Other Non-major Fund	
	General Fund	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
<u>REVENUES</u>				
REVENUES				
Taxes	\$ 1,953,190	\$	\$	\$ 1,953,190
Contributions - Genoa Township	101,520			101,520
Cost recovery		27,872		27,872
Grant - federal	33,726			33,726
Interest	11,979	7,733	175	19,887
Miscellaneous	<u>5,503</u>			<u>5,503</u>
Total revenues	<u>2,105,918</u>	<u>35,605</u>	<u>175</u>	<u>2,141,698</u>
<u>EXPENDITURES</u>				
Personnel	970,669			970,669
Contracted services	274,416			274,416
Capital outlay	28,680	127,869		156,549
General fire protection	<u>446,945</u>	<u>17,533</u>		<u>464,478</u>
Total expenditures	<u>1,720,710</u>	<u>145,402</u>		<u>1,866,112</u>
Excess of revenues over (under) expenditures	385,208	(109,797)	175	275,586
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in		264,067	5,998	270,065
Transfers (out)	<u>(270,065)</u>			<u>(270,065)</u>
Total other financing sources (uses)	<u>(270,065)</u>	<u>264,067</u>	<u>5,998</u>	
Excess of revenues over (under) expenditures and other financing sources (uses)	115,143	154,270	6,173	275,586
FUND BALANCE, JULY 1, 2003	<u>780,582</u>	<u>640,090</u>	<u>28,399</u>	<u>1,449,071</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ 895,725</u>	<u>\$ 794,360</u>	<u>\$ 34,572</u>	<u>\$ 1,724,657</u>

Amounts reported for governmental activities in the Statement of Activities are different due to:

Revenues over expenditures for governmental funds \$ 275,586

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the Statement of Net Assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital asset purchases are exceeded by depreciation expense in the current period:

Capital asset acquisitions	\$ 156,549
Depreciation expense	<u>(177,641)</u>
Total	<u>(21,092)</u>

Change in net assets of governmental activities \$ 254,494

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

	Private- Purpose <u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$      22,470</u>
 NET ASSETS	 <u>\$      22,470</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Private- Purpose Trust Fund</u>
ADDITIONS	
Public contributions	\$ 22,702
DEDUCTIONS	
Public safety	<u>22,760</u>
Decrease in Net Assets	(58)
NET ASSETS, JULY 1, 2003	<u>22,528</u>
NET ASSETS, JUNE 30, 2004	<u><u>\$ 22,470</u></u>

The notes are an integral part of the financial statements.

NOTES  
TO  
FINANCIAL  
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Brighton Area Fire Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended. The Brighton Area Fire Authority Board is appointed by each municipality. The Genoa Township, City of Brighton, and Brighton Township boards each appoint two members to the Brighton Area Fire Authority Board. One final member is selected by these six appointed members. The Authority was created as a joint venture by its members on May 4, 2000 to provide fire protection.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. There are no component units of the Authority using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

BRIGHTON AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Equipment Fund accounts for the activity associated with the acquisition of capital assets. This fund is supported by the General Fund and costs recovery revenues.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund and fiduciary financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, (including motor vehicle license fees), charges for services, fines forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

BRIGHTON AREA FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund and all Special Revenue funds. The budget can be amended by approval from the Authority's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Total actual expenditures exceeded budgeted appropriations for the year ending June 30, 2004 in two activities.



BRIGHTON AREA FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

H. ACCRUED COMPENSATED ABSENCES

The Authority has recorded a liability for compensated absences of the fire department. The policies regarding compensated absences are outlined in the Authority's "Rules of Employment".

I. PROPERTY TAXES

The Authority's property taxes are levied and become a lien on December 1<sup>st</sup> based on the taxable valuation of property located in the Authority as of the preceding December 31<sup>st</sup>. These taxes are due on February 14<sup>th</sup>, with the final collection date of February 28<sup>th</sup> before they are added to the county delinquent tax rolls.

For the year ended June 30, 2004, the Authority recognized the property taxes levied December 1, 2003 as revenue. Total taxable value was \$2,002,798,107 and the millage rate was set at .9763.

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has indicated that it plans to reformulate the multipliers. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

BRIGHTON AREA FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

**NOTE 2 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balances 7-01-03	Additions	Deletions	Balances 6-30-04
Office equipment	\$ 46,971	\$ 64,882	\$	\$ 111,853
Operating equipment	364,575	71,175		435,750
Leasehold improvements		20,492		20,492
Transportation equipment	<u>2,658,429</u>			<u>2,658,429</u>
	3,069,975	156,549		3,226,524
Accumulated depreciation	<u>(1,827,116)</u>	<u>(177,641)</u>		<u>(2,004,757)</u>
Governmental activities capital assets, net	<u>\$ 1,242,859</u>	<u>\$ (21,092)</u>	<u>\$</u>	<u>\$ 1,221,767</u>

Depreciation expense is being recorded solely for fire protection services. The Authority utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with the capital assets.

**NOTE 3 - DEFERRED COMPENSATION PLAN**

The Authority offers its full time non-union employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan allows employees to contribute up to \$13,000 annually. The Authority's contribution is 5% of gross base wages. As of June 30, 2004, there were four employees enrolled in the plan. The Authority's contribution for the year totaled \$9,930.

Effective July 1, 2003 the Authority Board approved a deferred compensation plan for all part time employees under IRC Section 401 (A). Part time employees will be allowed to defer up to the IRS limit pretax dollars under the above mentioned IRC Section 457 plan. Based on the amount withheld by the part time employee under the IRC Section 457 plan, the Authority will match dollar for dollar up to 5% of the part time employees' gross wages. The amount contributed by the Authority (match) will be paid into the section 401 (A) retirement plan on behalf of each employee. The match for 2003-2004 was \$7,439 and was paid after June 30, 2004.

BRIGHTON AREA FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 4 - DEFINED BENEFIT PLAN -  
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)

This plan was grandfathered into the Authority from the City of Brighton and Brighton Township on July 1, 2002. Only current full time employees that transferred over from the aforementioned municipalities are allowed to participate in this plan.

MERS is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 16, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget.

As of June 30, 2004 the Authority had four covered employees and 69 total employees. Covered and total payrolls for the year then ended was \$220,324 and \$793,824 respectively. Currently there are no retirants receiving benefits from the plan. Total contributions made to the plan during the year ended was \$34,081.

At December 31, 2003, the over funded pension benefit was \$3,936, determined as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$
Terminated employees not yet receiving benefits	
Current employees -	
Accumulated employee contributions including allocated investment income	2,587
Employer financed	<u>144,645</u>
Total actuarial accrued liability	147,232
Net assets available for benefits at actuarial value	<u>151,168</u>
(Over) funded actuarial accrued liability	<u>\$ (3,936)</u>

The combined change in the pension benefit resulting from benefit changes, if any, and revisions in actuarial assumptions is 0.119963.

BRIGHTON AREA FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

**NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority. The Authority maintains petty cash with an imprest amount of \$200.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Governmental Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Total Carrying Amount</u>	<u>Bank Balance</u>
Insured\$	100,000 \$	\$	100,000 \$	100,000
Uninsured and uncollateralized	<u>1,738,985</u>	<u>22,470</u>	<u>1,761,455</u>	<u>1,780,955</u>
	<u>\$ 1,838,985</u>	<u>\$ 22,470</u>	<u>\$ 1,861,455</u>	<u>\$ 1,880,955</u>

**NOTE 6 - IMPLEMENTATION OF GASB STATEMENT NO. 34**

The Authority has implemented the standards required by GASB Statement No. 34 for the year ended June 30, 2004. All required statements and disclosures have been included in the basic financial statements.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	Budgets			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,977,000	\$ 1,959,887	\$ 1,953,190	\$ (6,697)
Contributions - Genoa Township	100,000	101,520	101,520	
Grant - federal		41,504	33,726	(7,778)
Interest	12,000	9,500	11,979	2,479
Other income	26,000	5,000	5,503	503
Total revenues	2,115,000	2,117,411	2,105,918	(11,493)
EXPENDITURES				
Personnel	1,016,997	1,035,800	970,669	65,131
Professional services	37,000	34,000	34,140	(140)
Insurance	77,000	98,000	104,874	(6,874)
Equipment and supplies	362,292	192,600	185,808	6,792
Utilities	41,000	44,000	37,284	6,716
Contract - Howell Fire	280,000	274,416	274,416	
Dues and subscriptions	7,200	6,000	5,745	255
Physicals and vaccines	20,000	51,504	48,288	3,216
Training and instructions	30,200	30,300	20,286	10,014
Telephone and communications	28,000	28,000	27,928	72
Vehicle lease	5,600	4,600	4,074	526
Buildings	15,000	9,500	7,198	2,302
Contingency	15,503			
Emergency funds	10,000	10,000		10,000
Fire investigation services	5,000	5,000		5,000
Total expenditures	1,950,792	1,823,720	1,720,710	103,010
Excess of revenues over expenditures	164,208	293,691	385,208	91,517
OTHER FINANCING (USES)				
Transfers (out)	(164,208)	(270,065)	(270,065)	
Excess of revenues over expenditures and other financing (uses)		23,626	115,143	91,517
FUND BALANCE, JULY 1, 2003	780,582	780,582	780,582	
FUND BALANCE, JUNE 30, 2004	\$ 780,582	\$ 804,208	\$ 895,725	\$ 91,517

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL RESERVE EQUIPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgets</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Cost recovery	\$ 25,000	\$ 25,000	\$ 27,872	\$ 2,872
Grant - federal	37,000			
Sale of assets	8,000			
Interest	<u>6,000</u>	<u>7,500</u>	<u>7,733</u>	<u>233</u>
Total revenues	<u>76,000</u>	<u>32,500</u>	<u>35,605</u>	<u>3,105</u>
EXPENDITURES				
Capital outlay	238,000	125,897	127,869	(1,972)
Small equipment	<u>20,000</u>	<u>20,000</u>	<u>17,533</u>	<u>2,467</u>
Total expenditures	<u>258,000</u>	<u>145,897</u>	<u>145,402</u>	<u>495</u>
Excess (deficiency) of revenues over (under) expenditures	(182,000)	(113,397)	(109,797)	3,600
OTHER FINANCING SOURCES				
Transfers in	<u>164,208</u>	<u>264,067</u>	<u>264,067</u>	
Excess (deficiency) of revenues over (under) expenditures and other financing sources	(17,792)	150,670	154,270	3,600
FUND BALANCE, JULY 1, 2003	<u>640,090</u>	<u>640,090</u>	<u>640,090</u>	
FUND BALANCE, JUNE 30, 2004	<u>\$ 622,298</u>	<u>\$ 790,760</u>	<u>\$ 794,360</u>	<u>\$ 3,600</u>

BRIGHTON AREA FIRE AUTHORITY  
SCHEDULE OF PENSION FUNDING PROGRESS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2004

In accordance with the Governmental Accounting Standards Board Statements No. 25 and 27, the following information is a required part of the basic financial statements related to the MERS retirement system.

FIRE EMPLOYEES

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
December 31, 2003	\$ 151,168	\$ 147,232	\$ (3,936)	102.7%	\$ 233,068	(1.7%)



SUPPLEMENTARY  
INFORMATION

BRIGHTON AREA FIRE AUTHORITY  
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
JUNE 30, 2004

	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
ASSETS			
Cash	\$ 753,039	\$ 34,572	\$ 787,611
Accounts receivable	<u>41,321</u>		<u>41,321</u>
Total assets	<u>\$ 794,360</u>	<u>\$ 34,572</u>	<u>\$ 828,932</u>
FUND BALANCE	<u>\$ 794,360</u>	<u>\$ 34,572</u>	<u>\$ 828,932</u>

BRIGHTON AREA FIRE AUTHORITY  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE -  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2004

	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
REVENUES			
Cost recovery	\$ 27,872	\$	\$ 27,872
Interest	<u>7,733</u>	<u>175</u>	<u>7,908</u>
Total revenues	<u>35,605</u>	<u>175</u>	<u>35,780</u>
EXPENDITURES			
Capital outlay	127,869		127,869
Small equipment	<u>17,533</u>		<u>17,533</u>
Total expenditures	<u>145,402</u>		<u>145,402</u>
Excess of revenues over (under) expenditures	(109,797)	175	(109,622)
OTHER FINANCING SOURCES			
Transfers in	<u>264,067</u>	<u>5,998</u>	<u>270,065</u>
Excess of revenues over (under) expenditures and other financing sources	154,270	6,173	160,443
FUND BALANCE, JULY 1, 2003	<u>640,090</u>	<u>28,399</u>	<u>668,489</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ 794,360</u>	<u>\$ 34,572</u>	<u>\$ 828,932</u>

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>PERSONNEL</b>			
Wages - Chief	\$ 71,500	\$ 71,646	\$ (146)
Wages - Executive chief	40,000	38,274	1,726
Wages - Deputy chiefs	20,000	17,548	2,452
Wages - Assistant chiefs	108,000	104,407	3,593
Wages - Captains	75,000	64,539	10,461
Wages - Lieutenants	62,000	54,326	7,674
Wages - Sergeants	85,000	58,840	26,160
Wages - Firefighters	283,000	273,718	9,282
Contracted services - Jr. Fire Department	4,200	4,000	200
Wages and contracted services - inspectors	60,000	62,142	(2,142)
Wages - Fire board (per diem)	13,000	14,000	(1,000)
Wages and contracted services - clerical	35,000	34,386	614
Wages - compensated absences		2,235	(2,235)
Employee benefits	115,000	109,865	5,135
Payroll taxes	<u>64,100</u>	<u>60,743</u>	<u>3,357</u>
Total personnel	<u>1,035,800</u>	<u>970,669</u>	<u>65,131</u>
<b>PROFESSIONAL SERVICES</b>			
Accounting and audit	24,000	23,351	649
Legal fees	<u>10,000</u>	<u>10,789</u>	<u>(789)</u>
Total professional services	<u>34,000</u>	<u>34,140</u>	<u>(140)</u>
<b>INSURANCE</b>	<u>98,000</u>	<u>104,874</u>	<u>(6,874)</u>
<b>EQUIPMENT AND SUPPLIES</b>			
Equipment rental	5,500	6,638	(1,138)
Medical supplies	5,100	4,366	734
Office supplies	19,000	19,670	(670)
Repairs and maintenance	98,000	85,823	12,177
Uniforms and turn-out gear	27,000	27,349	(349)
Computers and records management	25,000	28,494	(3,494)
Gas and oil	<u>13,000</u>	<u>13,468</u>	<u>(468)</u>
Total equipment and supplies	<u>192,600</u>	<u>185,808</u>	<u>6,792</u>
<b>UTILITIES</b>			
Electricity	26,000	21,270	4,730
Gas	<u>18,000</u>	<u>16,014</u>	<u>1,986</u>
Total utilities	<u>44,000</u>	<u>37,284</u>	<u>6,716</u>

The accompany notes are an integral part of these financial statements

BRIGHTON AREA FIRE AUTHORITY  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CONTRACT - HOWELL FIRE	\$ 274,416	\$ 274,416	\$
DUES AND SUBSCRIPTIONS			
Hazmat	3,500	3,500	
Memberships	<u>2,500</u>	<u>2,245</u>	<u>255</u>
Total dues and subscriptions	<u>6,000</u>	<u>5,745</u>	<u>255</u>
PHYSICALS AND VACCINES			
General physicals/vaccines	10,000	10,815	(815)
Grant related	<u>41,504</u>	<u>37,473</u>	<u>4,031</u>
Total physicals and vaccines	<u>51,504</u>	<u>48,288</u>	<u>3,216</u>
TRAINING AND INSTRUCTORS			
Training supplies	20,000	8,891	11,109
Recertification costs	1,700	480	1,220
Conferences and public information	<u>8,600</u>	<u>10,915</u>	<u>(2,315)</u>
Total training and instructors	<u>30,300</u>	<u>20,286</u>	<u>10,014</u>
TELEPHONE AND COMMUNICATIONS	<u>28,000</u>	<u>27,928</u>	<u>72</u>
VEHICLE - LEASE	<u>4,600</u>	<u>4,074</u>	<u>526</u>
BUILDINGS			
Cleaning supplies	4,500	2,779	1,721
Repairs and maintenance	<u>5,000</u>	<u>4,419</u>	<u>581</u>
Total buildings	<u>9,500</u>	<u>7,198</u>	<u>2,302</u>
EMERGENCY FUNDS	<u>10,000</u>		<u>10,000</u>
FIRE INVESTIGATION SERVICES	<u>5,000</u>		<u>5,000</u>
Total expenditures	<u>\$ 1,823,720</u>	<u>\$ 1,720,710</u>	<u>\$ 103,010</u>

BRIGHTON AREA FIRE AUTHORITY

COMMENTS  
AND  
RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2002

September 10, 2002

Board of Trustees  
Brighton Area Fire Authority  
615 West Grand River  
Brighton, Michigan 48116

Honorable Board of Trustees:

In planning and performing our audit of the general purpose financial statements of the Brighton Area Fire Authority for the year ended June 30, 2002, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

The Authority board has not established formal purchasing procedures for items purchased with lines of credit or credit cards.

RECOMMENDATION

Formal procedures for purchasing on lines of credit and use of credit cards should be adopted. Pursuant to Public Act 266 of 1995, the Authority must adopt a credit card policy.

2. COMMENT AND RECOMMENDATION

As part of our fieldwork we found the following items which need to be corrected:

1. Check #1043, in the amount of \$1,100, related to training was paid from the general fund, however, it should have been paid from the designated fund "Training".

A check should be cut from the designated fund to the general fund as reimbursement for \$1,100.

2. A deposit for \$903 went into the general fund. The deposit was related to donations for "Fallen Firemen" and should have been deposited into the designated fund.

A check should be cut from the general fund to the designated fund as reimbursement for \$903.

This letter does not affect our report dated September 10, 2002 on the financial statements of the Brighton Area Fire Authority.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various Authority personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of the Brighton Area Fire Authority and is not intended to be and should not be used by anyone other than the specified parties.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants



**PFEFFER • HANNIFORD • PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

*Members:*  
*AICPA Private Practice Companies Section*  
*MACPA*

**225 E. Grand River - Suite 104**  
**Brighton, Michigan 48116-1575**  
**(810) 229-5550**  
**FAX (810) 229-5578**

October 20, 2004

Honorable Board of Trustees  
Brighton Area Fire Authority  
615 W. Grand River  
Brighton MI 48116

Dear Honorable Board of Trustees:

During the audit process for the year ending June 30, 2004, certain items came to our attention which we would like to discuss with you. Those items are as follows:

1. Telephone Invoices – Dorr Road Station

While auditing telephone expenses, we found the Dorr Road station's SBC bill was being combined with the Webber Street station's SBC bill and was not broken out separately. Since the Howell Area Fire Authority shares the utility and telephone costs of the Dorr Road station with the Brighton Area Fire Authority it is important to receive a separate bill for the Dorr Road station.

We reviewed this matter with Chief Lane and it should be resolved based on his conversations with SBC.

2. Compensation Issue

While reconciling the quarterly payroll reports to the general ledger we noticed one employee's W-2 for the calendar year 2003 was understated by one payroll check. Evidently the payroll company voided one payroll check and did not reissue a replacement check; however, a manual payroll check was issued to the employee. This check did not get added to the employee's earnings record.

We have discussed this matter with Chief Lane and will assist in resolving the issue.

### 3. Deferred Compensation

The Authority offers its full time employees a deferred compensation plan in accordance with IRC Section 457 which allows employees to contribute pretax earnings into a retirement plan. The Authority also contributes 5% of gross base wages. Currently and past practice has been the Authority makes its contribution in the summer of the year 2003 (for example) for the period covering 1/1/03 through 12/31/03.

We found the contribution made in the summer of 2003 did not cover an employee who resigned in July of 2003. Thus, we believe the contribution should have covered seven months of the employee's base salary. The liability to the Authority is \$1,115.

The Authority should consider changing its policy regarding the timing of making the contribution toward the full time employees' retirement plan. We suggest the contribution be made in the summer for the period of the past fiscal year instead of calendar year. This would resolve issues if an employee resigned in the months after the summer but before December 31 which would result in an overpayment.

The Authority offers all part time employees a deferred compensation plan under IRC Section 401(A) which allows employees to contribute pretax earnings into a retirement plan. The Authority also contributes to this plan dollar for dollar of employees' contributions up to 5% of the employees' gross wages. This contribution is also made in the summer of 2004 (for example) however, it covers the prior fiscal year (7/1/03 thru 6/30/04).

We would like to thank the Authority officials, accountant and employees that assisted us during the audit process for their cooperation.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of The Brighton Area Fire Authority and is not intended to be and should not be used by anyone other than the specified parties.



PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants